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REPORT
No. 1589

RETIREMENT AND DISABILITY SYSTEM FOR CERTAIN
EMPLOYEES OF THE CENTRAL INTELLIGENCE
AGENCY

SEPTEMBER 21, 1964—Ordered to be printed

Mr. STENNIS, from the Committee on Armed Services,
submitted the following

REPORT

[To accompany H.R. 8427]

The Committee on Armed Services, to whom was referred the bill (H.R. 8427) to provide for the establishment and maintenance of a Central Intelligence Agency retirement and disability system for a limited number of employees, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

AMENDMENT

The bill is amended by striking all after the enacting clause and substituting new language.

The changes contained in the committee substitute version are explained in detail under the heading of this report entitled "Committee Changes in House Bill." Except for technical revisions, the effect of the committee changes is to conform the proposed retirement system more closely to civil service retirement provisions, rather than the provisions of the Foreign Service Act, with which the House version was paralleled.

PURPOSE OF THE BILL

The purpose of the proposed legislation is to provide an improved retirement system for certain employees of the Central Intelligence Agency.

NEED FOR THE LEGISLATION

All employees of the Central Intelligence Agency are now covered under the normal civil service provisions for retirement purposes. Normally, employees covered under the civil service retirement rules can contemplate active employment until age 62 when they are entitled to immediate retired pay, or may elect to voluntarily retire at age 55 with 30 years of service with a reduction of 5 percent in retired pay, or at age 60 with 30 years service with no reduction. With respect to Central Intelligence Agency employees engaged in conducting and supporting intelligence activities abroad, it has been the experience of the Agency that because of the conditions of service, not all of these employees can anticipate serving the period of time required in order to retire under the civil service retirement provisions. A special retirement system is therefore needed in order for some of these employees to retire at an earlier age and with a less severe financial penalty than the present civil service system imposes. The precedents for this type of legislation may be found in the provisions now applicable to certain personnel of the Federal Bureau of Investigation and other Federal investigative and criminal detection activities, and the separate provisions now applicable to Foreign Service officers. The premise underlying this bill, as well as the foregoing provisions, is a need for encouraging and in some cases directing retirement at ages earlier than those contemplated by the normal civil service employee.

The bill, in effect, will meet two objectives: (1) It will minimize the adverse effect of the early retirement on the individuals for whom the Agency is unable to provide full term careers, and (2) it will serve as a management tool for attracting high caliber personnel to meet the specialized needs of this program. The bill will offer a more liberal basis for retirement for those who will be separated before completing a normal full career of at least 30 years of service.

HIGHLIGHTS OF THE BILL

Limitation on number of employees to be covered

It should be emphasized that the legislation intends that only a limited number of the employees of the Central Intelligence Agency will be covered under the terms of this act. Only those employees engaged in conducting and supporting intelligence activities abroad will be covered. The bill implements this limitation in two ways:

(1) The Director in designating the employees who would be covered under this system would designate only those whose duties are determined by him to be in support of Agency activities abroad hazardous to life or health, or so specialized because of security requirements as to be clearly distinguishable from normal Government employment. Only these persons hereafter referred to as participants would be entitled to the benefits of the system.

(2) The bill in section 236 provides that not more than 400 employees may be retired under the terms of this act between the date of enactment and June 30, 1969, and not more than 400 between July 1, 1969, and June 30, 1974. This limitation applies to all forms of retirement except disability.

With respect to the proportion of people within the Agency who may be covered at any one time under this system, the Agency estimates that approximately 30 percent of the total number of

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Within the limitations prescribed by the bill the Director will designate those employees who will be covered under the system by virtue of their having initially met the requirements for coverage. The Agency will review their records at intervals of not more than 5 years in order to determine if there should be continued coverage for the individuals under the system.

The bill, in order to provide a degree of protection for the individual involved, provides that any person who has at least 15 years with the Agency and whose career is adjudged by the Director at that time to be qualified for coverage under this system may elect to remain under the system, and furthermore, his coverage under this retirement program will not be subject to further review by the Director.

Change in retirement computation

The bill would provide that participants would have their retirement pay computed on the basis of 2 percent of the average salary of the highest 5 consecutive years. This will be multiplied by the number of creditable years of service not to exceed 35 years. The maximum amount of retired pay, therefore, would be 70 percent of the highest 5-year average.

Under the normal civil service formula, the first 5-year period is based on 1½ percent of the average of the highest salary for 5 consecutive years; the next 5 years on 1¼ percent of this average; with the remaining service over 10 years at 2 percent. Under civil service provisions, retired pay may not exceed 80 percent of the average on which retired pay is based.

Voluntary retirement at age 50 without penalty

The bill would permit participants beginning at age 50, upon application and with the consent of the Director, to voluntarily retire if they have completed a total of 20 years of service, including at least 10 years with the Central Intelligence Agency and a minimum of 5 years of qualifying service. Normally, it is expected that all creditable service would be in the nature of qualifying service. In certain cases, however, participants may have completed prior military service, or service in some other Government agency. Within the Agency, except for periods of rotation, most of the service would be of a qualifying nature; that is, duties involved in the conducting and supporting of intelligence activities abroad.

The employees whose applications for voluntary retirement are approved would be retired without the financial penalty applicable to civil service retirement under age 60. All civil service retirements under age 60 incur a reduction in retired pay: 1 percent in retired pay for each year under age 60 to age 55; 2 percent in retired pay for each year below age 55. As an example, at age 50 retired pay would be reduced by 15 percent.

With respect to the right to voluntarily submit a retirement application under the civil service system, voluntary retirement is possible only upon attainment of age 55 with 30 years of service. Retirement below age 55 is permitted only if the separation is involuntary.

Mandatory retirement at age 50 and above—no penalty

The bill provides that the Director in his discretion may mandatorily retire participants who are at least 50 years of age and have completed the same service required for voluntary retirement; that is, 20 years of total service, of which 10 years must be with the Agency and 5 years must be qualifying. The participant would be retired on the same basis as those who voluntarily retire; that is, their retired pay would be based on 2 percent of the average of the highest salary for 5 consecutive years, multiplied by the years of creditable service not to exceed 35 years.

Mandatory retirement for those with at least 25 years of service

The bill provides that the Director may involuntarily retire in his discretion participants who have completed a total of 25 years of service without regard to age, provided the person has completed at least 10 years of service with the Agency, of which at least 5 years are qualifying service. The retired pay of the participant would be without penalty and would be based on 2 percent of the average salary of the highest 5 consecutive years.

Mandatory retirement based on age

The bill provides that any participant will be mandatorily retired, or separated, as the case may be, upon reaching age 65, if he is in the grade of GS-18 or above. All participants below GS-18 would be retired or separated at age 60. In both categories the Director would have the authority to extend the service for a period not to exceed 5 years. Retirement benefits for those retired under these provisions would be based on the 2-percent formula not to exceed 35 years of service.

It might be noted that this authority is of limited significance, since Central Intelligence Agency employees do not enjoy the tenure of appointment of normal civil service employees. It does, however, specify an age at which they would be removed by law, unless the Director were either to mandatorily retire them before reaching this age, or extend them under the discretionary authority beyond these particular ages.

Disability retirement system

The bill contains authority for those participants who become disabled or incapacitated to be retired under certain conditions. The provisions of the bill are similar to those authorized for disability retirements under the civil service system, with the exception that the retired pay of such a person would be based on the 2-percent formula of retired pay, rather than the civil service formula providing for less than 2 percent for the first 10 years of creditable service. Under both systems, that provided in this bill and the civil service system, a person retired for physical disability is guaranteed, at age 40 or below, a minimum of 40 percent of the average salary for his highest 5 years, with additional pay being based on such creditable service as earned by the individual. If a person is past age 40, constructive service of 20 years is authorized, but in no case will it exceed the difference between the participant's actual age and age 60.

OTHER FEATURES OF THE BILL

The bill contains a number of other features relating, among other things, to—

- (1) The establishment and administration of the retirement fund;
- (2) The matter of deferred annuities for the individual participant;
- (3) Annuities for widows and children;
- (4) The payment of interest by both the Government and individual where required by law; and
- (5) Provision for increases in retired pay subsequent to retirement where there have been increases in the cost of living.

A detailed explanation of these changes is contained in that part of the report setting forth an analysis of each provision of the bill.

COST DATA

With respect to the retirement and disability fund which is established in the bill, it is anticipated that over the next 4½ years, through June 30, 1969, the total expenditures from this retirement fund would be approximately \$4 million, which, on an annual basis, would average about \$900,000 per year.

It should also be noted that in terms of additional costs, that is, the additional retirement cost which this bill causes, there will be expended an estimated \$660,000 over the next 4½-year period, or about \$132,000 on an annual basis. This additional cost is determined by computing the excess of what this bill would cost as compared to the cost on the basis of expenditures of retiring the persons involved under the normal civil service rules.

MANNER IN WHICH THE PROPOSED SYSTEM WILL BE ADMINISTERED

The Agency has indicated that the following policies will be observed in the administration of the retirement program.

The only employees who will be covered under the terms of this bill will be those who are engaged in conducting and supporting intelligence activities abroad. It is estimated that not more than 30 percent of the Agency's employees will be designated as participants.

Administrative mechanism

The Agency's Director of Personnel will be responsible for the general administration of the retirement system. However, a Central Intelligence Agency Retirement Board of senior Agency officials will be appointed to assist and advise him in carrying out this responsibility.

Agency employees will have the right to appeal determinations regarding their eligibility for coverage under the system and their entitlement to its benefits. Such appeals will be submitted in writing to the Agency's Inspector General who will make independent investigation and recommendation to the Director of Central Intelligence.

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Selection standards

To qualify as a participant in this system, an employee must meet each of the following specific criteria:

(a) He must be at least 25 years old and successfully complete a 3-year probationary period in the Agency.

(b) He must sign a written undertaking obligating him to serve anywhere and at any time according to the Agency's needs.

(c) He must be assigned to a career field which requires him to perform duties (1) in support of Agency activities abroad hazardous to life or health, or (2) so specialized because of security requirements as to be clearly distinguishable from normal Government employment.

(d) He must when initially covered into the system already have actually performed qualifying duty as described in paragraph (c) above or be under official orders to do so.

Initial designation of participants

(a) *Employees on duty at date of enactment.*—The records of all career employees on duty and serving in a career field which would normally require the performance of qualifying duties as described above will be reviewed to determine in each case whether the selection standards are met. Only those employees who meet these criteria and who have actually performed substantial periods of qualifying duty will be designated as participants.

(b) *After date of enactment.*—Current employees not designated as participants and new employees will continue to be covered under the civil service retirement system. In the case of new employees or current employees who have not completed their probationary periods, their records and the plans for their future utilization and development will be reviewed when they have done so to determine whether they meet the selection standards. The records of those employees who are assigned to an appropriate career field but who have not been designated as participants will again be reviewed after a reasonable period of time to determine whether they then meet the selection standards.

Periodic review of determination

The eligibility of an employee to remain a participant in the system will be reviewed at intervals, no less often than 5 years, to determine that he still meets the criteria and that he is actually performing reasonable minimum periods of qualifying duty throughout his service. If such review shows that he no longer qualifies for coverage under the system, he will be transferred back to the civil service retirement system. When a participant has completed 15 years of Agency service and is determined at that time to continue to meet the criteria, his record will not again be subject to such review.

COMMITTEE CHANGES IN HOUSE BILL

The following is a summary of the changes made by the Senate Committee on Armed Services to the House version of the bill. The committee version—

(1) Changes the date of the act from 1963 to 1964.

(2) Inserted a definition not contained in the House version for the term "qualifying service," which is defined as service performed as a participant in the system or, in the case of service prior to designation,

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service determined by the Director to have been performed in carrying out duties described in section 203.

(3) Amended the definition of "child" to include a full-time student up to age 21, as defined in the civil service provisions.

(4) Inserted language to provide for a termination of widows' annuities upon remarriage.

(5) Increased the widows' annuities from 50 to 55 percent of participant's annuity, conforming with civil service provisions.

(6) Conformed the reduction in the employee's annuity for survivor benefits purposes to the civil service rules establishing a reduction of 2½ percent for the first \$3,600 (rather than \$2,400 as contained in the House bill) and 10 percent of the balance over \$3,600.

(7) Revised the disability retirement provisions so as to establish age 60 as the cutoff for constructive service credit, in conformance with the civil service provisions, thereby eliminating the House provision which permitted age 65 as the cutoff for constructive credit for grades GS-18 and above.

(8) For the purpose of widows' annuities based on death in service or on death of an annuitant receiving disability retired pay, adopted language which requires widows' annuities to be computed only on the earned annuity of the participant, thereby eliminating the minimum guaranteed constructive service of 20 years as provided in the House bill.

(9) With respect to voluntary retirement, adopted language providing that of the 20 required years, at least 10 must be with the Agency and 5 years be within the term "qualifying service."

(10) With respect to deferred annuities, adopted language providing that the annuity would begin at age 62, rather than age 60 as provided in the House bill. Further language was inserted requiring at least 5 years with the Agency, rather than 5 years of total creditable service in order to be eligible for a deferred annuity at age 62.

(11) Deleted language providing for a lump-sum payment for employees separated in grade GS-13 and below under which such persons would have been entitled to receive 1 month's pay for each year of service to a maximum of 1 year's pay for all past service.

(12) Deleted language which would have permitted the Director to mandatorily retire participants in the grade of GS-14 and above with 10 years of service in the Agency, of which 5 years would be qualifying.

(13) Adopted language authorizing the Director to mandatorily retire participants who either have completed 25 years of service or who have reached age 50 and have completed 20 years of service, all of whom must have also completed 10 years in the Agency and 5 years of qualifying service.

(14) Adopted a provision not contained in the House bill establishing a limit of 400 on all retirements, except disability, during the period between the date of enactment of the act and ending June 30, 1969, and a limit of 400 during the period beginning July 1, 1969, and ending June 30, 1974.

(15) Adopted language conforming to civil service rules relating to the payment of interest either by the participant or by the Agency as required by law.

(16) With respect to the exclusion of crediting military service where there is entitlement to social security, adopted language conforming to civil service provisions.

(17) Adopted language conforming to civil service rules for crediting a participant with service for retirement purposes while on military leave.

(18) Deleted language which would permit annuitants reemployed in the Federal service to retain so much of the Agency annuity in addition to the Federal salary as would not exceed his salary at the time of retirement. The effect of the deletion is to conform to the present civil service rule offsetting the retired pay where the person is reemployed in the Federal Government.

(19) Adopted new language authorizing increases in the retired pay of annuitants based on the identical system now in effect for retired civil service employees providing for periodic increases in retired pay based on minimum 3 percent advances in the Consumer Price Index.

SECTIONAL ANALYSIS

TITLE I—TITLE AND DEFINITIONS

PART A—TITLE

Section 101.—This section provides that the act may be cited as “Central Intelligence Agency Retirement Act of 1964 for Certain Employees.”

PART B—DEFINITIONS

Section 111.—This section contains three definitions which apply whenever used in the act. The term “Agency” means the Central Intelligence Agency; the term “Director” means the Director of Central Intelligence; the term “qualifying service” means service performed as a participant in this retirement system. In the case of service performed prior to designation as a participant, this term refers to service performed in carrying out duties performed in the past which would have been covered had the act been in effect at that time.

TITLE II—THE CENTRAL INTELLIGENCE AGENCY RETIREMENT AND DISABILITY SYSTEM

PART A—ESTABLISHMENT OF SYSTEM

Rules and regulations

Section 201(a). Authority of Director to prescribe rules and regulations for the Retirement System.—This subsection authorizes the Director to prescribe rules and regulations for the maintenance of the retirement system which will apply to a limited number of employees. It is further provided that these rules and regulations will become effective after approval by the Chairman and ranking minority members of the Committees on Armed Services of the House of Representatives and the Senate.

Section 201(b). Administration of system.—This subsection provides that the Director shall administer the system in accordance with such rules and regulations and with the principles established by this act.

Section 201(c). Determinations by Director final and conclusive.—This subsection provides that any determinations authorized by this act will be final and conclusive and not subject to review by any court. This authority is contained in the bill because of the security classifica-

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tion of foreign intelligence activities of the United States and of the information concerning the service of Agency employees. The facts pertinent to these determinations would ordinarily be of such a nature that they could not be publicly disclosed. Legislative precedent for this provision is contained in the Civil Service Retirement Act which provides in section 16(c) that determinations by the Commission of questions of dependency and disability under that act are not reviewable. Other precedents are contained in the Atomic Energy Act which provides that where restricted data are involved determinations of the Commission will not be subject to judicial review and in the Foreign Claims Settlement Act of 1949. (See 42 U.S.C. 2231 and 22 U.S.C. 1623(h).)

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Section 202. Establishment and maintenance of fund.—This section provides that a fund will be created for the new retirement system and it shall be maintained by the Director. It should also be observed that section 261 of the bill provides for estimates for annual appropriations for the fund and, in addition, requires actuarial evaluations of the fund at intervals of 5 years, and more often if deemed necessary by the Director. Moreover, in section 262, authority is provided whereby the Director, with the approval of the Secretary of the Treasury, may invest portions of the fund in interest-bearing securities of the United States.

Section 203. Participants.—This section sets forth the legislative standards for determining the employees of the Central Intelligence Agency who would be participants in the retirement system authorized by the bill. This legislation is intended to cover only a limited number of the Agency employees. The determination as to which employees would participate in this system would be made only by the Director. In order for the Director to designate an employee a participant in the system, the employee must be involved in Agency duties abroad hazardous to life or health, or be involved in specialized duties which because of security requirements are clearly distinguishable from normal Government employment. It is contemplated that the overwhelming portion of participants in this system will be involved in duties outside the United States. This section also contains the language which provides that for participating employees whose career the Director adjudges to be qualifying for this system after 15 years of service may elect to remain as participants without further review or approval by the Director.

The standards laid down by this section emphasize the fact that this retirement system is authorized only for Central Intelligence Agency employees whose careers are predominantly concerned with the conduct and support of intelligence activities in foreign countries. The fact that this retirement system will cover only a portion of the Central Intelligence Agency employees is underscored by the limitation contained in section 236 of the bill, which provides that all retirements under this legislation, except for disability, will be limited to not more than 400 during the 5-year period between the enactment of the bill and June 30, 1969.

Annuityants

Section 204(a). Coverage of term "annuityants."—This section provides that annuityants shall be all participants who are receiving annuities from the fund, including the surviving wives and husbands,

widows, children, and others who shall become entitled to annuities in accordance with the provisions of the act.

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Section 204(b). Definition of certain terms.—This subsection defines the following terms for the purposes of the act:

(1) "Widow" meaning the surviving wife of a participant who was married to the participant at least 2 years preceding death or is the mother of children by marriage to the participant.

(2) "Dependent widower" meaning the surviving husband who was married at least 2 years immediately preceding the death of the participant or is the father of children by marriage to her. In addition, he must be incapable of his self-support for reasons of mental or physical disability and must have received more than one-half of his support from the participant.

(3) The term "child" has been defined as the same as set forth in the Civil Service Retirement Act, which includes generally an unmarried child under 18 or, in the case of a child between ages 18 and 21, who is a full-time student.

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PART B—COMPULSORY CONTRIBUTIONS

Section 211(a). Salary deduction of 6½ percent.—This subsection provides that 6½ percent of the basic salary of each participant shall be contributed to the fund for the payment of benefits to the retirement system. In addition, it is provided that there shall be contributed to the fund from the appropriation used for the payment of the participant's salary a sum equal to the amount of the contribution. These two amounts will be deposited by the Agency to the credit of the fund.

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Section 211(b). Compulsory nature of deduction.—This subsection provides that each participant shall be deemed to consent and agree to the 6½-percent contribution which will be deducted from his basic salary.

PART C—COMPUTATION OF ANNUITIES

This section establishes the rate of annuities payable to participants and to specified beneficiaries under the retirement system.

Section 221(a). Retirement rates for retired participants.—This subsection provides for the method of computing the retired pay for persons who retire under the system established in the bill. The annuity provided is that the retired participant will receive 2 percent of his average basic salary for the highest 5 consecutive years, multiplied by the number of creditable years of service not to exceed 35 years. The maximum, therefore, which a participant could receive would be 70 percent of his highest 5-year average salary.

Section 221(b). Reduced annuity to provide benefits for survivors of retired participants.—This subsection sets forth the authority under which a retired participant may elect to receive a lesser amount of retired pay in order to provide an annuity for the surviving spouse. This section provides that a participant may, if he elects, provide for an annuity for his surviving spouse by having the participant's annuity reduced by 2½ percent, up to \$3,600, plus 10 percent for any amount over \$3,600. The annuity payable to the surviving wife or husband after the participant's death will be 55 percent of the participant's annuity. Such an annuity would terminate on the death or remarriage of the surviving wife or husband.

Section 221(c)(1). Additional annuity for surviving children.—This subsection provides that where an annuitant dies and in addition to his surviving wife or husband there are also children, there will be paid on behalf of each child the smallest of the following amounts: 40 percent of the annuitant's average basic salary; \$600; or \$1,800 divided by the number of children.

Section 221(c)(2). Annuities where only children survive.—This subsection provides that where an annuitant dies and is survived by neither a wife nor a husband, but by children, each child shall be paid an annuity in an amount equal to the smallest of: 50 percent of the annuitant's basic salary divided by the number of children; \$720; or \$2,160 divided by the number of children.

Section 221(d). Redetermination of annuities in case of death.—This subsection provides for a recomputation of the annuities of remaining children as though the wife, husband, or child had not survived the participant in cases where either the surviving wife or husband dies or the annuity of a child is terminated.

Section 221(e). Method of payment for children's annuities.—This subsection provides for the method of payment and termination of annuities for children under the act.

Section 221(f). Authority for survivor benefits for unmarried participant.—This subsection provides that unmarried participants may elect to receive a reduced annuity in order to provide an annuity for a person having an insurable interest within the meaning of that term as set forth in the Civil Service Retirement Act. The annuity of the participant would be reduced in the following manner in order to provide a survivorship annuity. It would be reduced: (1) by 10 percent; and (2) by an additional 5 percent for each 5 full years the person designated is younger than the participant, but the total reduction will not exceed 40 percent. The annuity of the survivor designated would be 55 percent of the reduced annuity of the participant.

PART D—BENEFITS ACCRUING TO CERTAIN PARTICIPANTS

Retirement for disability or incapacity—Medical examination—Recovery

Section 231(a). Retirement for disability.—This subsection provides that after 5 years of credit toward retirement, excluding military or naval service, any participant who becomes totally disabled because of disease, illness, or injury, upon application or order of the Director may be retired. The retired pay would be computed on the basis of the annuity earned as of the time of retirement for disability. In effect, it would be based on 2 percent of the "highest 5-year" average salary multiplied by the number of years of creditable service completed as of the time of retirement. This subsection contains a further provision that if the disabled annuitant is under age 60 and had completed less than 20 years of service, his annuity will be computed on the assumption that he had completed 20 years. There is the further proviso, however, that the additional constructive service will in no case exceed the difference between the participant's age at the time of retirement and age 60. For instance, if a participant became disabled at age 55 and had completed only 14 years of creditable service, his total service under this provision would be 19 years: 14 plus 5, the difference between his actual age and age 60.

Section 231(b). Authority for medical examination.—This subsection provides that in each disability case the participant will be examined by one or more qualified physicians designated by the Director and the disability shall be determined by the Director on the basis of such medical advice. Furthermore, unless the disability is permanent, there shall be annual medical examinations until the annuitant reaches the statutory retirement age for his grade which as elsewhere in the bill would be age 60 for those below GS-18 and age 65 for those in the grade of GS-18 or above. This subsection further provides for reinstatement where the annuitant has recovered to the extent he can return to duty. Payment of the annuity in cases of recovery will continue until 6 months after the date of examination showing recovery or until the date of reinstatement in the agency, whichever is earlier.

Section 231(c). Retirement status of recovered disability annuitant.—This subsection provides that where a recovered disability annuitant whose annuity is discontinued is not reinstated in the Agency he will be considered to have been separated as if he were a deferred annuitant, that is, one who is separated from the Agency but leaves his contribution in the fund with the right to receive an annuity computed on his earned service at age 62.

Section 231(d). Exclusion of disability annuity where compensation is awarded under the Federal Employees Compensation Act.—This subsection provides that there will be no annuity under the terms of this act for compensation or injury where there is compensation awarded to the participant under the Federal Employees Compensation Act covering the same period of time. This restriction does not bar the right of election to receive either an annuity under the terms of this act or the benefits under the Federal Employees Compensation Act.

Section 231(e). Right to receive disability annuity plus lump-sum award of compensation under Federal Employees Compensation Act.—This subsection provides that the right to receive an annuity will not be affected because a person has received a lump-sum payment award under the Federal Employees Compensation Act. It is further provided, however, that there will be refunds of the lump-sum compensation to the Department of Labor where the compensation has been paid for any period extending beyond the date the annuity becomes effective.

Death in service

Section 232(a). Disposition of contributions where no annuity is payable.—This subsection provides that where a participant dies in service and no annuity is payable, his contributions with interest will be refunded in the order of precedence provided in section 241(b) of the act.

Section 232(b). Annuity for widow of participant.—This subsection provides that where a participant has at least 5 years of credit toward retirement, excluding military or naval service, and dies before separation or retirement, his widow will be entitled to an annuity equal to 55 percent of the earned annuity of the participant. It is further provided that this annuity will terminate upon death or remarriage of the widow. Dependent widowers are also covered for the purpose of the annuity under this subsection with the further proviso that the annuity to the dependent widower ceases upon his becoming capable of self-support.

Section 232(c). Annuity for children of participants.—This subsection provides that where the participant, in addition to being survived by a wife, is also survived by children, such children shall be entitled to an annuity computed in accordance with section 221(c)(1) of this act and such annuity or annuities will begin and terminate in accordance with section 221(e) of the act.

Section 232(d). Annuity for children where no parent survives.—This subsection provides for an annuity for children where there is no surviving parent. In cases where a participant dies in service having met the minimum 5 years of qualifying service for purposes of survivor rights, the children's annuities would be computed in accordance with section 221(c)(2) of the act.

Voluntary retirement

Section 233.—This section provides that any participant in the new retirement system, upon reaching 50 years of age, and having completed 20 years of service, may upon his application and with the consent of the Director, be retired from the Agency and receive an annuity based on the 2-percent formula discussed elsewhere in this report. It is further required that of the 20 years of service, 10 years must have been with the Agency, with at least 5 years being qualifying service.

Discontinued service benefits

Section 234(a). Deferred annuity benefits for participants separated from Agency after 5 years.—This subsection, in effect, provides that participants who have completed 5 years of service with the Agency and are separated may elect to leave their retirement contributions in the fund and thereby become qualified to receive an annuity at age 62, based on his annuity credit earned while with the Agency. This language conforms to existing civil service provisions.

Section 234(b). Return of contributions for participants who die before reaching age 62.—This subsection provides in the case of participants who were separated from the Agency and who have elected to have their contributions remain in the fund for the purpose of receiving an annuity at age 62, and who die before reaching age 62, there will be a return of their contributions with interest in accordance with the order of precedence contained in section 241.

Mandatory retirement

Section 235(a). Mandatory retirement based on length of service.—This subsection would authorize the Director in his discretion to retire a participant who either has completed 25 years of service or who is at least 50 years of age and has completed 20 years of service, provided that all such participants will have completed at least 10 years of service with the Agency, of which at least 5 years must have been qualifying.

Section 235(b). Mandatory retirement based on age.—This subsection provides that all participants in the retirement system in the grade of GS-18 and above will be automatically retired or separated from the Agency, as the case may be, upon reaching age 65. All participants below the grade of GS-18 will be automatically retired or separated upon reaching age 60. In all cases, however, the Director may extend the service of a participant for a period not to exceed 5 years.

STATINTL *Limitation on number of retirements*

Section 236.—This section provides that all retirements under the provisions of the bill, except those for disability, may not exceed a total of 400 between the date of enactment of the act and June 30, 1969, and may not exceed a total of 400 during the 5-year period, beginning July 1, 1969, and ending June 30, 1974.

PART E—DISPOSITION OF CONTRIBUTIONS AND INTEREST IN EXCESS OF BENEFITS RECEIVED

(c) Section 241(a). Return of contributions with interest for participants ineligible for any annuity.—The subsection provides that whenever a participant is separated from the Agency without being eligible for either an immediate annuity or a deferred annuity, his contributions to the fund will be returned with interest at the rates set forth for refunds under the civil service system.

Section 241(b). Return of contributions for deceased participants.—This subsection provides that in the event the total contributions of a retired participant exceed the total amount returned to him or claimed through him in the form of annuities, there will be a return of the excess contributions over the amount of the accumulated annuity payments to certain designated beneficiaries described in this subsection.

PART F—PERIOD OF SERVICE FOR ANNUITIES

Computation of length of service

Section 251. Periods of separation for retirement purposes.—This section provides that the service of a participant will be computed from the date he is designated a participant, but further, that all periods of separation will be excluded along with any leaves of absence without pay exceeding 6 months, except for leaves of absence granted participants while on active military or naval service and except for leaves of absence while receiving benefits under the Federal Employees Compensation Act.

Prior service credit

Section 252(a). Credit for prior service in Federal Government, civilian or military.—This subsection provides that a participant in the retirement system may include in his period of Federal service:

- (1) Civilian service in the executive, judicial, and legislative branches of the Federal Government and in the District of Columbia government, prior to becoming a participant; and
- (2) Active and honorable military or naval service in the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States prior to the date of the separation upon which title to annuity is based.

Section 252(b). Necessity for contributions for past service.—This subsection provides, in effect, that any participant who has made no contribution into another Government fund may receive his prior civilian credit by making a special contribution to the fund based on the percentage of his annual salary for the years involved, together with the payment of interest as specified in certain tables contained in the Civil Service Retirement Act.

Section 252(c)(1). Transfer of previous contributions.—This subsection provides that where a participant who has been under some other government retirement system becomes a participant by direct transfer his contributions to that system will be transferred to the new Central Intelligence Agency Retirement Fund. It is expected by the committee that in the interest of maintaining the integrity of the fund the matching employer contributions will likewise be transferred.

Section 252(c)(2). No duplication of contributions.—This subsection contains explicit language to avoid any requirement for the duplication of contributions where the participant contributed under another government retirement system during periods of past service and where such contributions have been transferred to the new fund.

Section 252(c)(3). Exclusion in case of refund of contributions.—This subsection provides that periods of past service will not be creditable where there has been either a refund of the contributions or where no contributions were made to the other government retirement fund. Special contribution would be required to obtain credit for prior service.

Section 252(d). Exclusion of credit for prior service where such service is creditable under another Government retirement system for civilian personnel.—This subsection excludes the crediting of prior civilian service for the Central Intelligence Agency retirement system where any period of this service either is being used or will be used for entitlement to an annuity under any other retirement system covering Government personnel.

Section 252(e). Exclusion of simultaneous credit under military and Agency retirement systems.—This subsection provides, in effect, that except for retirement under the so-called reserve retirement law contained in chapter 67, title 10, United States Code, and retirement based on a service-connected disability incurred in combat or caused by an instrumentality of war, periods of service used for military retired pay will not be included as creditable periods of service under the system contained in this bill.

Section 252(f). Exclusion of military service used for entitlement to social security benefits.—This subsection, conforming to the civil service provisions, provides, in effect, that military service for the purpose of the retirement system contained in this bill will not be creditable where performed after December 31, 1956, if the military service could be used for entitlement to social security benefits.

RETIREMENT AND DISABILITY SYSTEM FOR CIA

Credit for service while on military leave

Section 253.—This section provides that during periods of emergency, participants who leave the Central Intelligence Agency for the purpose of entering military service will not be considered as separated from the Agency by reason of military service unless they ask for and receive a refund of their contributions. Furthermore, contributions will not be required covering periods of absence from the Agency while performing active military or naval service.

PART G—MONEYS

Estimate of appropriations needed

Section 261.—This section provides that the Director shall prepare the estimates of the annual appropriations required to be made to the fund, and shall cause to be made actuarial valuations of the fund at intervals of 5 years, or oftener if deemed necessary by him.

Investment of money in the fund

Section 262.—This section provides that the Director may, with the approval of the Secretary of the Treasury, invest from time to time in interest-bearing securities of the United States such portions of the fund as in his judgment may not be immediately required for the payment of annuities, cash benefits, refunds, and allowances, and the income derived from such investments shall constitute a part of such fund.

Attachment of moneys

Section 263.—This section provides that none of the moneys mentioned in this act shall be assignable either in law or equity, or be subject to execution, levy, attachment, garnishment, or other legal process.

PART H—RETIRED PARTICIPANTS RECALLED, REINSTATED, OR REAPPOINTED IN THE AGENCY, OR REEMPLOYED IN THE GOVERNMENT

Recall

Section 271(a). Authority for recall.—This subsection provides that the Director may, with the consent of any retired participant, recall such participant to duty in the Agency whenever he shall determine such recall is in the public interest.

Section 271(b). Entitlement to full salary upon recall.—This subsection provides that a participant recalled to duty will be entitled to the full salary of his grade in lieu of his annuity and that during the periods of employment he shall contribute to the fund and when he reverts to a retired status have his annuity recomputed.

Reemployment

Section 272. Retired status no bar to Federal employment.—This section provides that a retired participant shall not be barred from employment in the Federal Government by virtue of his retired status.

STATINTL

Reemployment compensation

Section 273(a). Deduction of annuity from salary.—This subsection provides that where an annuitant is reemployed in the Federal Government he shall be entitled to the annuity payable under this act, but there shall be deducted from his salary a sum equal to the annuity allocable to the period of actual employment. The effect of this provision is to require an annuitant to offset his retired pay during periods when he is reemployed by the Federal Government.

Section 273(b). Method of collecting overpayments.—This subsection provides where there is overpayment under the reemployment provisions such overpayment will be recovered by withholding the amount involved either from the salary of the annuitant or from any other moneys, including his annuity payable under this act.

PART I—VOLUNTARY CONTRIBUTIONS

Section 281(a). Method of making voluntary contributions.—This subsection provides that any participant at his option may voluntarily make additional contributions toward his retirement in multiples of 1 percent, not to exceed 10 percent of his basic salary, together with interest compounded annually at 3 percent. This subsection further provides that the contributions as of the date of retirement of the participant, and at his election, may be either returned to him in a lump sum, or used to purchase additional life annuities as specified in the subsection.

Section 281(b). Actuarial equivalent benefits.—This subsection provides that the benefits for the additional life annuities provided in 281(a) (2) (3) and (4) shall be actuarially equivalent in value to the payment provided for under the lump-sum provision contained in section 281(a)(1).

Section 281(c). Refund of voluntary contributions.—This subsection provides for the refund of the additional deposits with interest where the participant becomes separated from the Agency for any reason except retirement on an annuity.

Section 281(d). Additional benefits provided by additional deposits.—This subsection provides that any benefits payable to a participant or his beneficiary by virtue of the additional voluntary deposits shall be in addition to the benefits otherwise provided under this act.

p(6)

PART J—COST-OF-LIVING ADJUSTMENT OF ANNUITIES

Section 291. Required retired pay adjustment based on increases in the cost of living.—This section and the various subsections contain language similar to that now in effect for annuitants retired under the civil service retirement system. Under this section annuitants or their beneficiaries will be entitled to an increase in their annuities whenever the cost of living advances annually at least 3 percent, as measured by the Consumer Price Index. These increases would be based on determinations made by the Civil Service Commission pursuant to section 18 of the Civil Service Act. In effect, if the price

index rises at least 3 percent from January 1964 to January 1965, annuitants or their beneficiaries, effective April 1, 1966, will be entitled to a percentage increase equal to the percentage increase in the price index adjusted to the nearest one-tenth of 1 percent. This review will be repeated annually.

COMPARATIVE ANALYSIS OF BILL

The analysis hereinafter printed sets forth the pertinent provisions of the bill, together with the comparative provisions contained in the Civil Service Retirement Act and the Foreign Service retirement system.

RETIREMENT AND DISABILITY SYSTEM FOR CIA

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Comparison of pertinent provisions of civil service retirement, Foreign Service retirement, and H.R. 8427, CIA retirement and disability system, as amended by the Senate Armed Services Committee

Items	Civil service retirement system (CSR)	Foreign Service retirement system (FSR)	Proposed CIA retirement system (CIAR)	Comments
A. Coverage	Government employees generally, unless temporary, intermittent or subject to another Federal retirement system.	All FSO's plus non-FSO's who have served as chiefs of mission for an aggregate period of 20 years or more; Foreign Service staff officers and employees with 10 or more years of continuous service in the Foreign Service.	Those officers and employees whose duties are (i) in support of Agency activities abroad hazardous to life or health or (ii) so specialized because of security requirements as to be clearly distinguishable from normal Government employment and who are designated participants.	Agency career personnel are currently covered by civil service.
B. Contributions:				
1. Compulsory	6 1/2 percent of employee's basic salary. Agency contribution of 6 1/2 percent of employee's basic salary. Maximum 10 percent of total basic salary received since Aug. 1, 1920. Payable in multiples of \$25.	6 1/2 percent of employee's basic salary. Agency contribution of 6 1/2 percent of employee's basic salary. Maximum of 10 percent of total basic salary received since July 1, 1939. Payable in multiples of 1 percent.	Same as CSR.	All 3 systems are the same.
2. Voluntary	Annuitant of 1 1/2 percent of high-5 average years salary times 5 years. Plus 1 percent times next 5 years. Plus 2 percent times all years over 10 years of creditable service. Annuity not to exceed 80 percent of high-5 average salary.	Annuitant, 2 percent high-5 average years salary times total number years creditable service not to exceed 35 years.	Same as FSR.	FSR and CIAR are approximately same as CSR.
C. Benefits:				
1. Annuitants	1/2 of 1 percent for each of the 1st 60 months under age 60 and 1/4 for each additional month over 60 months under age 60.	None.	do.	CIAR and FSR have a 2-percent formula. CSR provides maximum 80 percent high-5 average. CIAR and FSR provides maximum 70 percent high-5 average. Under CSR there is a substantial reduction in annuity for years under age 60. 15 percent when retiring at age 50. There is no reduction under FSR or CIAR.
2. Penalty reduction for age.			do.	All 3 systems have comparable survivorship benefits.
3. Reduced annuities.	Reduced annuity with benefits to widow or widower. Corresponding benefits to each dependent child.	Surviving children, widowers, and dependent widowers may be included as survivor annuitants.	Same as CSR.	

RETIREMENT AND DISABILITY SYSTEM FOR CIA

Comparison of pertinent provisions of civil service retirement, Foreign Service retirement, and H.R. 8427, CIA retirement and disability system, as amended by the Senate Armed Services Committee—Continued

Items	Civil service retirement system (CSR)	Foreign Service retirement system (FSR)	Proposed CIA retirement system (CIAR)	Comments
C. Benefits—Continued 4. Survivor annuities: (a) Married participants.	<p>Basic general formula: Widow or widower (if survivor annuity elected by retiring employee): 55 percent of all or whatever portion of earned annuity specified as base. Annuity terminates on death or remarriage.</p> <p>Reduction for survivor annuity: Employee's annuity reduced by 2½ percent of 1st \$3,600 of any amount specified as base for survivor benefits plus 10 percent of the amount over \$3,600 up to the full amount of employee's annuity.</p> <p>Children: With a surviving wife or husband: smallest of (1) 40 percent of average salary divided by number of children; (2) \$900; or (3) \$1,800 divided by number of children. With no surviving wife or husband: smallest of (1) ½ average salary divided by number of children; (2) \$720; or (3) \$2,160 divided by number of children.</p> <p>Termination annuity: Children annuities terminate at age 18 (or on recovery from incapacity after 18), marriage, or death. On termination of any child's annuity by death, wife or husband's annuity by death, annuities of surviving children are recomputed as though person whose annuity was terminated.</p>	<p>Basic general formula: Widow or widower (if survivor annuity elected by retiring employee): ½ of all or whatever portion of earned annuity specified as base. Annuity terminates only on death of widow or widower.</p> <p>Reduction for survivor annuity: Employee's annuity reduced by 2½ percent of 1st \$2,400 or any amount specified as base for survivor benefits plus 10 percent of the amount over \$2,400 up to the full amount of employee's annuity.</p> <p>Children: With a surviving wife or husband: smallest of (1) 40 percent of average salary divided by number of children; (2) \$600; or (3) \$1,200 divided by number of children. With no surviving wife or husband: smallest of (1) ½ average salary divided by number of children; (2) \$720; or (3) \$2,160 divided by number of children.</p> <p>Termination annuity: Children annuities terminate at age 18 (or on recovery from incapacity after 18), marriage, or death. On termination of any child's annuity by death, wife or husband's annuity by death, annuities of surviving children are recomputed as though person whose annuity was terminated.</p>	<p>Same as CSR</p> <p>do</p> <p>do</p> <p>do</p> <p>do</p>	<p>CSR and CIAR differ from FSR in that the latter provides that the annuity of surviving widow and widower terminates only on death of such survivor. Under CSR and CIAR remarriage of the survivor also terminates the annuity. CIAR and CSR provide for 55-percent annuity for widows and dependent widowers. FSR provides for 50 percent in such cases.</p> <p>1962 amendment to the CSR 4. of increased from \$2,400 to \$3,600 the amount from which 2½ percent is taken in reducing the employee's annuity.</p> <p>All 3 systems are the same.</p> <p>Do.</p> <p>Do.</p>

RETIREMENT AND DISABILITY SYSTEM FOR CIA

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RETIREMENT AND DISABILITY SYSTEM FOR CIA

Comparison of pertinent provisions of civil service retirement, Foreign Service retirement, and H.R. 8427, CIA retirement and disability system, as amended by the Senate Armed Services Committee—Continued

Items	Civil service retirement system (CSR)	Foreign Service retirement system (FSR)	Proposed CIA retirement system (CIAR)	Comments
C. Benefits—Continued 6. Disability retirement.	After 5 years of civilian service: same as full age and service benefit. Guaranteed 40 percent of high-5 average salary or annuity projected to age 60 whichever is lesser. Elective survivor benefits are based on employee's actual years of service credit.	After 5 years of civilian service: same as full age and service benefit. Guaranteed 40 percent of high-5 average salary or annuity projected to mandatory retirement age for his class. Elective survivor benefits are based on service credit upon which participant's annuity was computed rather than his actual years of service credit.	Same as CSR.	All 3 systems are essentially the same.
7. Deferred annuity	Tax exemption: Under the Federal income tax "sick pay" exclusion, up to \$100 per week of disability annuity is exempted until annuitant attains retirement age. Deferred annuity payable at age 62 if separated employee has 5 years of civilian service credit.	Tax exemption: Entire disability annuity is exempted from Federal income tax. Deferred annuity payable at age 60 if separated employee has 5 years of civilian service credit.	do.	If FSR annuity to employee has been based on projecting service, survivor annuity is computed on that basis rather than the lesser actual service period. FSR permits full exemption of disability annuity from Federal income tax. Provision for limited exemption under CSR depends on sick pay exclusion of the Internal Revenue Code. FSR deferred annuity begins 2 years earlier than CSR and CIAR. CIAR requires 5 years of Agency civilian service. FSR and CIAR permit voluntary retirement without reduction in annuity 10 years earlier than CSR.
8. Voluntary retirement without reduction in annuity.	At age 60 with 30 years of service or at 62 with 5 years of service.	At age 50 with 20 years of service.	Deferred annuity payable at age 62 if separated employee has 5 years of service with the Agency. At age 50 with 20 years of service provided 10 years service with the Agency at least 5 of which shall have been qualifying service.	FSR deferred annuity begins 2 years earlier than CSR and CIAR. CIAR requires 5 years of Agency civilian service. FSR and CIAR permit voluntary retirement without reduction in annuity 10 years earlier than CSR.
9. Selection out/discontinued service retirement.	A. Immediate annuity upon involuntary separation if employee meets either of the following requirements: (1) attainment of age 50 and completion of 20 years of creditable service including 5 years of civilian service. (2) Regardless of age if employee has completed 25 years of creditable service, including 5 years of civilian service.	A. Classes 1, 2, or 3: retirement on annuity computed on regular 2-percent formula. Age no factor. B. Classes 4, 5, 6, or 7: (1) separation payment of $\frac{1}{2}$ of a year's salary rate for each year of service and proportionately for a fraction of a year, but not exceeding a total of 1 year's salary payable without interest in lump sum or 3 equal installments; (2) plus refund of contributions or deferred annuity. An immediate annuity if age 50 with 20 years service.	Immediate annuity upon involuntary separation if employee meets either of the following requirements: (1) attainment of age 50 and completion of 20 years of service including 10 years of service with the Agency of which at least 5 shall have been qualifying service; (2) regardless of age if employee has completed 25 years of creditable service.	FSR authorizes immediate annuity regardless of age for FS class 1 to 3 and also provides for separation compensation in FS class 4 to 7. CSR and CIAR have no provisions that are comparable.

<p>10. Disposition of contributions in excess of benefits received.</p>	<p>B. At employee's option, refund of contributions or deferred annuity if does not meet the above requirements.</p> <p>If deceased individual's contributions are not returned in the form of annuity (to individual or his survivors), the unreturned contributions must be paid to a designated beneficiary; or in order of precedence to widow, children, parents, etc.</p>	<p>If deceased individual's contributions are not returned in the form of annuity (to individual or his survivors), the unreturned contributions must be paid to a designated beneficiary; or in order of precedence to widow, children, parents, etc.</p>	<p>At employee's option refund of contribution or deferred annuity if he does not meet the above requirements.</p> <p>Same as CSR</p>
<p>D. Creditable service:</p> <p>1. Leave without pay.</p>	<p>Includes leave of absence without pay granted during covered employment while performing active honorable military service.</p> <p>Includes leave of absence without pay granted during covered employment while receiving FEC benefits.</p> <p>Includes civilian employment with District of Columbia government.</p>	<p>Includes leave of absence without pay granted during covered employment while performing active honorable military service.</p> <p>Includes leave of absence granted during covered employment while receiving FEC benefits.</p> <p>Includes civilian employment with District of Columbia government.</p> <p>Provides for direct transfer to FSR fund of all regular contributions (with interest) made by officer or employee to other Government retirement system under which previously covered. Funds transfer discharges other system of all benefit obligations based on service involved.</p>	<p>do</p> <p>Do.</p>
<p>2. District of Columbia employment.</p> <p>3. Transfer of funds.</p>	<p>No provision.</p>	<p>Same as FSR.</p>	<p>do</p> <p>Do.</p> <p>FSR and CIAR permit direct transfer of funds from CSR upon becoming a participant.</p>

Comparison of pertinent provisions of civil service retirement, Foreign Service retirement, and H.R. 8427, CIA retirement and disability system, as amended by the Senate Armed Services Committee—Continued

Items	Civil service retirement system (CSR)	Foreign Service retirement system (FSR)	Proposed CIA retirement system (CIA R)	Comments
E. Reemployment of annuitants.	<p>If retirement is based on involuntary separation (except for age retirement) which was not due to any fault of his own, when reemployed the person's annuity will be either discontinued or withheld from salary.</p> <p>(1) If the reemployment is subject to the retirement act, his annuity will be discontinued from the date he is reemployed and his future retirement rights will depend on the law in effect at the time he is separated from the reemployment.</p> <p>(2) If the reemployment is not subject to the retirement act, his annuity payments will continue without interruption but his salary during reemployment will be reduced by the amount of annuity he receives. If—</p> <p>(a) the annuitant's retirement was based on a voluntary separation or on an involuntary separation for cause,</p> <p>(b) the annuitant was retired for age,</p> <p>(c) he was a disability annuitant reemployed after reaching age 60, or</p> <p>(d) he was a disability annuitant found recovered or restored to earning capacity and temporarily reemployed before reaching age 60, his annuity will continue but his salary during reemployment will be reduced by the amount of annuity he receives. If this reemployment was of a year or more duration the reemployed</p>	<p>A reemployed annuitant may receive the salary of the position to which he is appointed plus so much of his annuity which when combined with the salary does not exceed the salary which such person was entitled to receive in the Foreign Service on the date of his retirement. Such reemployment does not affect the annuity earned under the Foreign Service retirement and disability system, if during the period of reemployment he is employed under another Federal retirement system; he will contribute to the other system, and it is possible to qualify for benefits under the other system.</p>	Comparable to CSR.	FSR provides for retention of Federal salary and annuity up to the level of the prior Foreign Service pay.

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F. Cost-of-living adjustment of annuities	<p>annuitant would be eligible for a supplemental annuity. (Reemployment service under another retirement system for Federal or District of Columbia Government employees and service in a few particular positions--the President and certain U.S. Judges are not qualified for this purpose.) Basic annuities (not to include additional annuities purchased at retirement by voluntary contributions) are tied to Department of Labor statistics concerning cost of living and shall be increased in future years whenever the cost of living exceeds a 3-percent rise.</p>	No comparable provision	do	FSR has not yet been updated to provide for cost-of-living increase in annuities.
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DEPARTMENTAL DATA

Set forth below is a letter from the Acting Director of the Central Intelligence Agency transmitting proposed legislation for improving the retirement system for certain employees of the Central Intelligence Agency.

CENTRAL INTELLIGENCE AGENCY,
OFFICE OF THE DIRECTOR,
Washington, D.C., March 15, 1963.

HON. LYNDON B. JOHNSON,
President of the Senate,
Washington, D.C.

DEAR MR. JOHNSON: This letter transmits for the consideration of the Congress proposed amendments to the Central Intelligence Agency Act of 1949, as amended. The principal purpose of the proposed bill is to permit the Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. It should be noted that it will become necessary for appropriations to be obtained since the contributions of employees covered by the retirement system and the Agency's matching contributions will not be sufficient to cover the full cost of retirement payment benefits to be paid out. Although such appropriations may not be needed to finance cash disbursements for some years, it is expected that such appropriations will be sought after that time when actuarial valuations have been made.

Other provisions of the proposed bill would bring existing provisions of law in the field of travel expenses and oversea allowances into conformity with those available to the Foreign Service. Certain other provisions are included in the proposed bill to accomplish purposes which we believe necessary.

We consider enactment of the proposed bill to be essential to the effective performance of our mission and would appreciate early and favorable consideration. The Bureau of the Budget had advised that there is no objection to the presentation of the proposed bill to the Congress from the standpoint of the administration's program.

Faithfully yours,

MARSHALL S. CARTER,
Lieutenant General, U.S. Army, Acting Director.

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SENATE COMMITTEE REPORT